Cabinet

Minutes of the additional meeting held on Wednesday 15 November 2023 in Shire Hall, Warwick at 6.00pm.

Present: Councillors Davison (Leader), Billiald, Chilvers, J Harrison, Kennedy, King, Roberts, Sinnott and Wightman.

Also Present: Councillors: Boad (Liberal Democrat Group Observer), Day (Conservative Group Observer), Falp (Whitnash Residents Association Group Observer), and Milton (Chair of Overview & Scrutiny Committee).

55. **Apologies for Absence**

There were no apologies for absence received.

56. **Declarations of Interest**

There were no declarations of interest.

Part 1
(Items upon which a decision by the Council was required)

57. **Urgent Item – Asset Compliance Committee & Resources**

The Cabinet considered a report from Governance which set out the governance structure for Council in response to the recommendations identified by an independent review in respect of social housing stock safety compliance within the Council.

The Social Housing (Regulation) Act came into force from 1 October 2023. As part of the Council’s preparedness for this introduction of the Act an external review, by Pennington, of the Council’s compliance with the requirements of the Act was undertaken. The review identified significant areas for improvement within the Council including the Governance arrangements for ensuring compliance. This was expected to result in direct intervention from the Regulator for Social Housing with them requiring meetings frequently with evidenced progress. They will also expect to see direct oversight from Councillors of this work.

An all-Councillor briefing took place on 9 November 2023 setting out the findings and the actions from the review. This was to ensure all Councillors were aware before either the regulator or tenants were notified in writing.

There were questions which would need to be considered, as to how the Council found itself in this position, The reflection would take time and involvement from Councillors in respect of both Overview & Scrutiny Committee and Audit & Standards Committee. However, the immediate response had been and continues to be to mitigate any risks associated with this for Council’s tenants and lease holders.

The recommendations clearly identify a need for improved Governance and in response to this, officers produced a proposed Governance

Framework, as set out at Appendix 1 to the report. This was based on discussions with both Pennington and other Councils who had self-referred to the regulator.

Over the next 12 to 18 months there would be a significant work undertaken in respect of assurance. This fell in the remit of the Overview & Scrutiny Committee and the Audit & Standards Committee. It was widely accepted that the Overview & Scrutiny Committee was working at capacity and that the additional work, based on officer dialogue with other Council's, would see the relevant body meeting once a month (at least for the first 12 months).

Officers had been advised that having a dedicated Committee for this initial response was recognised as good practice. Therefore, proposals for an additional Committee, including its terms of reference were brought forward. The new Committee was created to undertake this work with a view to having a mixture of knowledge from both the Overview Scrutiny Committee (with their perspective of if the Council was doing the right thing) and the Audit & Standards Committee (if the Council was doing it right).

The initial focus of the new Committee would be to review and challenge the progress in respect to ensuring compliance for safety under the Social Housing (Regulation) Act. They provide assurance on the delivery of this to Cabinet (as the responsible body) on behalf of the Council.

Dates had been set for the new Committee to meet at 6.00pm on:

20 December 2023.
22 January 2024.
26 February 2024.
25 March 2024.
22 April 2024.

There was also the need for specific training for the Committee Members with a view to this being undertaken in December 2023.

This would not take away overall responsibility from either of the existing Committees and the Overview & Scrutiny Committee still able to review and consider any Cabinet reports on this matter and Audit & Standards Committee still considering any Audit reports.

To support the Governance Structure overall a Compliance Board, was also in place, with a remit based on best practice and its remit was set out at Appendix 3 to the report.

The self-referral letter to the regulator as well as the letter to all tenants were included as appendices along with the other appendices so they were in the public domain for transparency and good governance.

There would be a need for the dedicated consultancy work and training for officers and Members and for that reason work had been undertaken to secure dedicated consultancy work from Pennington who were an acknowledged expert in this field of work.

The Overview & Scrutiny Committee was already considering a request for a dedicated officer to support them in their work, thus enabling more review work to be undertaken (such as Task & Finish Groups). It was now proposed that this post was introduced as a priority for the Council to (a) show commitment to the robust response to the concerns raised and (b) provide appropriate support for Overview & Scrutiny Committee over a longer time. The recommendation was for the budget to be made available for four years. This was considered most appropriate for securing resources into the role and making a commitment beyond the next election in May 2027. This way the new Council after the election could review the role and need for it but provided a transition phase for the first year of the new Council.

The additional Committee would need support from Civic & Committee Services, and this might not be wholly from a scrutiny perspective. However, this additional officer could help provide insight for the new Committee and provide more direct support for Scrutiny across the Council. This would allow the use of wider resources in the Civic & Committee Team to support this new Committee directly. It also showed a committed response to the challenges which the regulator would expect to see.

There were concerns over the demands on the Chair of the Overview & Scrutiny with a significant number of meetings, over 30 formal meetings, they would now need to attend, if the new Committee was established. To enable this to be reviewed by the Chair of the Committee and provide support for them it was proposed that the Constitution be amended to allow for a Vice-Chair of that Committee. This would enable them to deputise for the Chair of the Committee at any meeting.

In terms of alternative options, at this stage no alternatives were considered as these were robust responses to the challenging position the Council was in.

The Overview & Scrutiny Committee supported the recommendations in the report and thanked Officers for their hard work.

The Overview & Scrutiny Committee recommended to Cabinet that:

1. an appraisal report explaining how the situation the Council now finds itself in arose is prepared before the end of the year and should be presented to Overview & Scrutiny Committee at the first opportunity; and

2. a more detailed Action Plan is progressed as soon as possible.

The Cabinet was required to vote on this because it formed a recommendation to it.

In terms of the first recommendation from the Overview & Scrutiny Committee, and the concerns the Portfolio Holder for Housing raised regarding the timing of when such an appraisal report should be prepared, following advice from the Democratic Services Manager and Monitoring Officer he proposed such a report could be produced at the first reasonable opportunity, as opposed to before the end of the year. This was seconded and when put to a vote was passed.

In terms of the second recommendation from the Overview & Scrutiny Committee, Councillor Wightman proposed to accept this recommendation; this was seconded and when put to a vote was passed.

Councillor Wightman then proposed the report as laid out, subject to the amended recommendation 1 from the Overview & Scrutiny Committee, and subject to recommendation 2 from the Overview & Scrutiny Committee.

Members expressed some concern about deliverability of the work required and the potential impact on other services. The Committee had requested that a report be provided to it in the New Year to understand how the work would be effectively resourced and how the impact of this would be managed across the Council and its assets.

Recommended to Council that

(1) the establishment of an Assets Compliance Committee with the remit as set out at Appendix 1 to the minutes, be agreed; and

(2) the revision to the Constitution to include the role of Vice-Chair of Overview & Scrutiny Committee, be agreed.

Resolved that

(1) the Governance Structure set out at Appendix 1 to the report, be noted;

(2) the terms of reference of the Compliance Board (Social Housing Stock) as set out at Appendix 3 to the report, be noted;

(3) the notification letter to Housing tenants as set out at Appendix 4 to the report, be noted;

(4) the action plan for responding to the report, as set out at Appendix 5 to the report, be endorsed;

(5) the use of £11,000 from the Service Transformation Reserve for 2023/24 for the employment of a Scrutiny Officer for this year and £47,290, per annum, be included within the budget for the next four years for this role, be agreed;

(6) the expenditure with Pennington of £62,000 for consultancy work support & training, be noted;

(7) an appraisal report explaining how the situation the Council now finds itself in arose is prepared at the first reasonable opportunity and should be presented to Overview & Scrutiny Committee at the earliest opportunity; and

(8) a more detailed Action Plan is progressed as soon as possible.

(The Portfolio Holders for this item were Councillors Davison and Wightman).

58. **Participation in the West Midlands Investment Zone**

The Cabinet considered a report from the Chief Executive which asked it to consider becoming a Non-Constituent member of the West Midlands Combined Authority (WMCA). It also sought agreement in principle for participation in the West Midlands Investment Zone initiative, to consider its application to, and implications for, Warwick District, to help to arrive at a decision on participation, and on the terms for participation.

WDC currently had Observer status with the WMCA and had done for some years. It had formally and previously asked to become a Non-Constituent Member; this was the same status as the other Warwickshire Boroughs and Districts and WCC had. Until now, that change in status would only be possible with Government Parliamentary time being made available and that was estimated to be some time away. However, the Levelling Up and Regeneration Act (LURA) which recently received Royal Assent contained provision which in essence delegated the ability to change membership of the Combined Authority to the relevant Combined Authority. This provision came into being in December this year, meaning that the WMCA could decide early in January 2024 with Non-Constituent membership coming into effect from the next Municipal Year if WDC was to make the formal request now. The WMCA officials had said that the Council’s membership as a Non-Constituent would be warmly welcomed, though they could not formally prejudice their formal decision at this stage, but it was clearly in their interest and benefit to have WDC as part of the overall partnership.

The WMCA had in essence 2 ranks of membership, the 7 Constituent Councils such as Coventry, and the Non-Constituent Members such as Stratford and Nuneaton Councils. WCC was also a Non-Constituent Member. The difference between the two ranks was marked – the Mayor of the WMCA held no authority over Non-Constituent Member areas, and the powers and funds held by the WMCA largely applied only to the WMCA Constituent Council areas for such as strategic services such as Transport, Skills, Regeneration and Economy.

However, becoming a Non-Constituent Member would make it easier for WDC to access those funds that were open to a degree to Non-Constituent Member areas such as housing development, retrofitting, regeneration and potentially transport but one-off areas such as post Commonwealth Games funding. Such membership did not involve WDC giving up any of its powers and responsibilities. The membership fee was the same as observer status - £30,000 per annum and was already in the Council’s budget. For the sake of clarity, this step was not the same as the discussion over the summer about the WCC becoming a full member of the WMCA**.**

Non-Constituent Membership was relevant to the WMIZ proposal as the governance would be easier if WDC were a Non-Constituent Member, though the proposed terms of reference and the make-up of the proposed Governance body would not alter – but the initially proposed Joint Committee would be replaced by an Investment Zone Board. Consequently, when governance was discussed elsewhere in the report and reference was made to a Joint Committee but if WDC became a Non-Constituent Member then it would become an Investment Zone Board and so was referred to within brackets.

The Investment Zone [‘IZ’] initiative was a government programme and as such, would need to be operated and governed in accordance with the principles set by the government in the Investment Zone Policy Prospectus. The government was clear in that the zone must support one priority sector. The Advanced Manufacturing and Engineering Sector had been agreed by the WMCA as the primary economic sector, particularly around EV and battery development, and its intersectionality with green industries, digital and health-tech.

The national programme offered each investment zone £80m over five years, either to be taken entirely as funding or split between up to £45m tax incentives for investors (including Business Rates Relief) and £35m flexible spending. No more than three sites totalling 600 hectares may benefit from tax incentives. The balance of the £80m being taken as spending may be spent more widely and is subject to a 60/40 split between capital and revenue.

A further two areas may be selected as Business Rates Retention (BRR) sites, where 100% of the growth in business rates above a base line may be retained for 25 years. It was anticipated by government that these sites would be aligned with the tax incentive sites (if tax sites had been identified). This would give an opportunity to borrow against the anticipated business rates for the purposes of capital investment as well as financing revenue expenditure for example for training/skills development. The WMCA had proposed to Government that Advanced Manufacturing and Engineering was its primary economic sector, particularly focussing on EV and battery development, and its intersectionality with green industries, digital and health-tech.

The proposal was that Business Rates Retained (BRR) receipts would first be allocated to meet the cost of any infrastructure needed to enable development of the sites. Retained business rates over and above this would be pooled across the region and applied to the benefit of the priority economic sector, against a plan agreed by the Joint Committee (Investment Zone Board).

Three sites had been identified within the WM Investment Zone for the purposes of tax benefits:

- Coventry-Warwick Giga Park.
- Birmingham Knowledge Quarter.
- Wolverhampton Green Innovation Corridor.

The Giga Park had been proposed as both a BRR site and a Tax Incentive site. Thus far the Giga Park was the only BRR site proposed by the WMCA although there was a discussion ongoing with Government relating to the Birmingham Knowledge Quarter.

The Giga Park was situated across the boundary of Coventry City Council and Warwick District Council (WDC), so part of the site fell within Warwick District and outside of the geographical area of the WMCA. This site had been included as part of the Investment Zone because of the potential financial benefits that the inclusion in the Zone, and its development, could bring to the whole of the West Midlands region.

The whole of the WMCA area and the whole of the WDC area had been proposed as the Investment Zone. If endorsed by WDC, this would enable the important site of the Gigafactory to be included as an Investment Zone tax and a BRR site. This would provide the greatest benefit possible from the scheme for WDC and the whole of the Investment Zone area. The West Midlands proposal, reflecting government policy, was that BRR receipts and the £80m would first be allocated to meet the cost of infrastructure needed to enable development of the site. Retained business rates over and above this would be pooled across the WMCA and WDC area and applied to the benefit of the priority sector(s).

It was emphasised that the development of the WMIZ was an ongoing process leading up to a final decision by the government in the Spring Budget 2024, in advance of programme start in April 2024. There was still a considerable amount of detailed work to undertaken, including baselining business rates, detailed assessment of development costs, delivery models, identifying match-funding routes. As such, the decision asked of WDC at this stage, was solely to give confidence to the government and other partners that the principles of the Investment Zone, its governance and implementation, and the arrangements around business rates, were broadly acceptable. It would not be a legally binding commitment. If at any point during those further investigations and assessments it became clear through business rate baselining work that the benefits initially envisaged were outweighed by detriment to WDC, then it was not committed to proceeding. Neither position should have been treated lightly; the work to progress the Investment Zone could not proceed without confidence in WDC’s position and withdrawal from any proposed scheme could have significant ramifications. However, the WMCA clearly hoped that given the extensive work already committed to developing this proposition, its inclusion within the Investment Zone proposition from the outset and the undoubted long-term economic benefits to be derived from the Giga Park’s success, that WDC would continue to remain committed to the scheme.

As the Billing Authority for business rates for the Giga Park sites, but outside of the Constituent membership area of the WMCA, the position of Warwick District Council needed to be treated appropriately to ensure that WDC could maximise the benefits and minimise the risks of being part of the Investment Zone. There were three elements to this:

- Financial implications of committing future business rate growth above a new baseline to the IZ, including the need for a Memorandum of Understanding (MOU).
- WDC's role in the decision making and governance of the zone.
- Securing the wider economic benefits of the zone and Giga Park sites for the WDC area.

As the Local Authorities for the area in which the Giga Park was largely situated, both WDC and Warwickshire County Council (WCC) had expressed the expectation that they should have full and equal voting rights on any Board making decisions in relation to the Investment Zone. WDC's agreement (and WCC's given its entitlement to 10% of any growth in business rates) to collecting and sharing retained business rates needed to be contingent on this expectation being met.

In addition, government required a Memorandum of Understanding ('MOU') to be signed between the billing authorities collecting business rates that would be retained for reallocation through the IZ Policy, and the WMCA. As there were existing business rate relationships between WDC and WCC, it was anticipated that WCC should also be expected to sign the MOU. It should have been noted that although an existing Constituent Member of the WMCA, Coventry City Council would also be required to sign an MOU as the arrangements for IZ business rate retention lay outside the normal BRR arrangements between Coventry and WMCA.

Currently, the business rates regime that applied in the WDC area was that the growth in business rates above an agreed baseline was shared with the government taking 50%; WDC taking 40% and WCC 10%. The government had said that it would re-set the baseline nationally at some stage, though it had deferred that step several times. This would mean that WDC would lose some of its current business rates income as inevitably the baseline would be raised.

A BRR scheme meant that the government's share was kept locally to be spent locally (in this case within the WMCA plus WDC area) but it would also mean that WDC and WCC's share above the agreed baseline would also go into the "pot" held for the whole Investment Zone. Currently the sites referred to below did not generate much by way of business rates for WDC as they were largely undeveloped. The government had said that for the designated BRR sites that a reset would be deferred for the whole of the proposed 25-year period.

Three sites in the WDC area had been proposed as forming part of the tax incentive and Business Rates Retention (BRR) sites as part of the WM Investment Zone, namely:

- SEGRO Park;
- Whitley South; and
- Coventry Airport (Gigafactory).

There was also a smaller site in Coventry – Whitley East, which formed part of the Giga Park proposal. The WDC located sites already had outline planning permission and some reserved matters had already been agreed. Indeed, there was some development underway – UKBIC was completed and SEGRO Park South was underway. In both Whitley South and SEGRO

Park the infrastructure was already in place. It was a reasonable assumption that even without the Investment Zone designation that the Whitley South and SEGRO Park sites would generate business rates over the next few years for WDC and indeed WCC ahead of any reset.

Modelling work had been undertaken by officers at WDC, WCC, CCC and WMCA, with support from Amion Consulting and Metro Dynamics to assess the scale of likely costs in bringing forward development in these sites and the potential returns from business rates which would support their sustained delivery over the period, and ultimately contribute to economic sector growth both within the WDC area and across the wider WMCA area.

These detailed costings for infrastructure, potential solutions to infrastructure challenges, and business rate baselining were still being worked upon. As such, Cabinet was asked only to agree in principle to these sites being put forward for both 100% business rate retention and potential tax incentives.

Work was also underway with the Universities of Warwick and Coventry to identify a range of interventions that could be applied across the Investment Zone and with reference to supporting the Giga Park's successful development.

In negotiation, as some development has been completed or were underway then there have been revisions to the precise area to be included so that the UK Battery Industrialisation Centre (UKBIC) which has been completed was to be excluded. Discussions also took place regarding the exclusion of the southern part of the SEGRO Park scheme – where development was underway – from the BRR designation. However, the government had ruled out a compromise whereby this area was included in the BRR but that the 40% of the business rates would still come directly to WDC. Exclusion of the SEGRO Park scheme as whole or in part from the BRR would from the modelling exercise undermine the Investment Zone proposal by seriously reducing the business rates take too far.

However, the proposed change also highlights the dilemma for WDC, and for WCC. Under the current arrangements for business rates, WDC would receive 40% of the business rates above the agreed baseline from both the Whitley South site and the SEGRO Park scheme anyway, which was roughly estimated at circa £5m per annum when fully built out. Set against this was that the government had promised to reset the business rates nationally (the Investment Zone business rates would be exempt for 25 years) though it had deferred the reset to at least 2025 and it could well continue to do so; (though this was not helpful to long term financial planning but would benefit the WDC MTFS profile by circa £3m a year). So, the current business rates scheme did offer a tangible financial benefit to WDC.

On the other hand, the Gigafactory element was unlikely to happen without Government Grant aid in some form or other. Indeed, an investor had written to the effect that if the Investment Zone proposal went ahead, they would be prepared to invest in a Gigafactory on this site. This would be a multi-billion £ investment into the local economy with the consequent significant multiplier effects for companies' growth, jobs and income opportunities, skills development, and training as well as a significant opportunity to move on with the decarbonisation of the economy.

The Investment Zone proposal would give an opportunity to offer some financial incentives to achieve what was otherwise unlikely to be achieved under the current business rates regime. In addition, the BRR element of the designation offers the opportunity to secure investment in some things that the Council might want to see as part of its overall ambition for the precise area – such as sustainable and active travel investment; training/skills development and so on. The BRR scheme offered that opportunity in a way that the current Business Rates scheme did not. The same issue also applied to wider investment in the local economy and community that the Council wanted to see, e.g., the Parade and Creative Industries.

There had been several discussions on how to reach a compromise that reflected the need for sufficient incentive to enable the Gigafactory to occur whilst protecting some of the business rates resources that would anyway have come to WDC (and WCC) without the Investment Zone on the basis that Whitley South and SEGRO Park were allocated sites and already had their infrastructure in place – a without detriment position. To that end the WMCA had offered this approach:

> 'The allocation of retained business rates to be allocated by the WMCA through the established governance arrangements will be subject to a robust investment plan to be developed and approved by the IZ governance body. There will be a requirement within the investment plan that, over an agreed accounting cycle (not greater than 5-years), sufficient investment will be in projects in those authorities who would otherwise be benefitting from alternative business rate regimes, to ensure that they are no worse off than if they had not agreed to participate in the WM Investment Zone. This will also reflect agreement between WMCA and Government that up until the point of a reset of business rates baselines, Government will allow relaxation of spending requirements within the Investment Zone business rates retention site to allow those rates retained to be invested in local growth.'

This could enable this Council (and WCC) a protection to receive the same benefits as would otherwise have been received. However, to be without detriment the business rates ought to be able to come to WDC's general fund directly and in a timely manner so this would require further work on definition.

As Warwick District Council was neither a Constituent nor Non-Constituent Authority of WMCA, it could not be granted voting rights on any of the WMCA's existing boards or committees. However, as the billing authority collecting business rates and implications for allocation of surplus business rates, WDC should expect to have full voting rights on any IZ decision-making body. As such, until recently, the proposal was to establish a new Investment Zone Joint Committee as part of both the WMCA Governance arrangements as accountable body, with delegated authority from the WMCA Board to make all decisions in relation to the Investment Zone up to a financial threshold to be set by WMCA Board as the Investment Zone's accountable body.

The new Investment Zone Joint Committee (IZ Board) would have a remit only for taking decisions only in relation to Investment Zone matters. Decisions of the Joint Committee would be reported to the WMCA Board in the same way as the decisions of its Investment Board. However, as explained in Section 1.1 of the report, the opportunity now exists for WDC to become a Non-Constituent Member meaning that if agreed, the Joint Committee would instead be an Investment Zone Board but otherwise the proposed terms of reference and the make-up would be the same. However, until WDC agreed to ask for, and WMCA agrees to, our request for Non-Constituent Membership, the Joint Committee route was the only available constitutional mechanism available for governance.

It was proposed that the Joint Committee (IZ Board) would have the following responsibilities:

i. To consider the application of the tax incentive portion of £80 million government grant and the application of the cash portion of £80 million government grant.
ii. To consider the allocation of surplus retained business rates revenue.
iii. To ensure accountability for the successful and compliant implementation of the Investment Zone overall.
iv. To take account of the opportunities from, and implications for, other funding measures and programmes available through the CA and/or its partners.

Warwickshire County Council, a Non-Constituent Authority would also have full voting rights.

Existing WMCA Boards and Committees such as the Innovation Board would advise the Investment Zone Joint Committee (IZ Board), which would align decisions with the overall economic strategic direction set by WMCA's Economic Growth Board. WDC and WCC would need to ensure that their involvement in the Joint Committee (IZ Board) aligned with their own strategies and policies. Proposed Terms of Reference for the Joint Committee (IZ Board) were set out in Appendix 1 to the report.

Decisions of the Investment Zone Joint Committee (IZ Board) would also be subject to review and scrutiny by both the WMCA Overview and Scrutiny Committee and the WMCA Audit, Risk and Assurance Committee. Decisions in relation to the Giga Park would also be subject to review by the Warwick District Council's Overview and Scrutiny Committee. To fulfil the 'accountable body' function expected by Government, all decisions would need to be taken in the context of existing WMCA and Regional strategies and spending decisions and would need to comply with the regional Single Assurance Framework and any other relevant accountability and assurance frameworks in place during the term of the Investment Zone Joint Committee (IZ Board). The decisions of the Joint Committee (IZ Board) should not import any undue risk to the WMCA for financing schemes that result from those decisions nor equally to WDC or indeed to WCC.

The Joint Committee (IZ Board) would be supported by an Officer steering group made up of representative officers of the Member Authorities, WDC, WCC and the Universities to enable decision making. Existing WMCA Forums such as the Innovation Board and Economic Growth Board would also provide advice to inform decisions.

It was proposed that the Joint Committee (IZ Board) would be chaired by the Mayor of the West Midland. It should include members nominated by each of the Authorities whose area was affected by the Investment Zone, including both WDC and WCC whose members would have full voting rights on the Board. All WMCA Constituent Authorities would be entitled to nominate members. Universities that had signed up to Investment Zone Sites would be non-voting members of the Board. The proposed membership of the Board was set out in the Terms of Reference at Appendix 1 to the report.

The following principles had also been considered in proposing this governance structure:

i. Decision-making must recognise the economic links and impacts across all parties having responsibility for bringing forward the Investment Zone and its component sites, and particularly the roles played by Warwick District Council and Warwickshire County Council as local planning/billing and transport authorities respectively in relation to most parts of the Giga Park Investment Zone site.

ii. Governance structures should seek to empower local authorities and delivery partners, including universities involved in the development of the Investment Zone. They should reflect the overall collaborative framework established by Government's Investment Zone Policy, the WMCA's role as accountable body for the Investment Zone, and the potential requirement for escalation routes to resolve risks and unblock barriers.

It was anticipated that each Investment Zone site should have its own delivery body. These should be locally determined and established by the Local Authorities involved in each site and should be expected to have representation from all the major stakeholders in that Investment Zone site, in particular those Universities that had signed-up to the site. This would be the body with responsibility for delivery of development in the Investment Zone and for delivering the expected outcomes. WMCA as accountable body for the overall Investment Zone programme, were expected to be represented on these delivery bodies. The site delivery bodies should be expected to report into the Investment Zone Joint Committee on progress and any major risks to delivery. The proposals for the local delivery body were encapsulated in Appendix 2 of the report. It was proposed that this would be a multi-agency officer working party.

The issue in the proposed governance arrangement was that it was possible that WDC (and WCC) were out voted each and every time by the other WMCA members, so even though the Giga Park site was the largest contributor to the BRR funds that the Investment Zone Joint Committee (IZ Board) would have at its disposal, then there could be no guarantee that WDC would receive a fair share in relation to the contribution its sites make for the whole of the WMCA plus WDC area. This had been raised and verbal reassurances had been given that decisions tended to be made on a consensus basis. This reassurance should be asked for as a condition of participation, though to support the issue of fairness the WMCA had offered a without detriment position to WDC, and implicitly to WCC, which should help to mitigate this risk (see paragraph 1.5.8 in the report). In the context of business rates this would mean that WDC needed to be assured of an equivalent benefit to the 40% of business rates that it would receive under the current scheme and therefore that this was a condition of participation.

Under the proposed Investment Zone programme, business rates within the designated business rate retention ('BRR') sites could be retained at 100% for 25 years, free from re-sets. This would provide significantly greater certainty to underpin longer term borrowing and financing. The presumption within Government's IZ Policy Prospectus was that initial business rates retention would be ploughed back into the development of the Investment Zone to overcome development barriers such as essential infrastructure. Any surplus beyond that needed to be allocated to a region-wide, or Investment Zone-wide, pot administered by the WMCA. In this case, responsibilities for allocation of those surpluses would rest with the Investment Zone Joint Committee (IZ Board). Those surpluses should be directed towards projects that support the growth of the primary economic sector within the business rate generating area or elsewhere across the region.

The commitment by the billing authorities for business rates to be treated in this way would be covered by an MOU ('Memorandum of Understanding') between the parties affected: the Billing Authorities and the WMCA. It was anticipated that although not a billing authority, WCC would also need to be a signatory to the MOU as it currently received a share of business rates.

Although the formal MOU was yet to be drafted, its principles and objectives would consist of:

i. Warwick District Council ('WDC') as the relevant billing authority, would agree to continue to collect business rates for the area including the areas of the Investment Zone BRR site ('the Giga Park') for which it was currently responsible.
ii. WDC agreed that each year they would calculate the growth in business rates over the agreed base line for the IZ BRR site and inform WMCA of this calculation.
iii. WDC would be enabled by Order to retain 100% of the growth in business rates over the base line for the IZ BRR site area for which it holds billing responsibilities.
iv. WDC agreed to remit to WMCA any growth in business rates over the baseline from the IZ site for deployment in line with an Investment Plan to be agreed by the IZ Board.
v. The first call on the Retained Business Rates would be expenditure related to the delivery of the agreed scope of the Giga Park including interest on borrowing, with the specific financial arrangements subject to further detailed agreement by the relevant parties.

vi. WDC and WMCA would form a Joint Committee (IZ Board) to oversee the development and operation of the Investment Zone including the allocation and administration of the spend of the Retained Business Rates. WDC would have full voting rights on this Joint Committee (IZ Board).

These represented the substantive parts of the proposed MOU which would otherwise contain the normal clauses associated with such an agreement.

Clearly, it was anticipated that the success of the Giga Park would generate significant and long-term economic growth for the District, including job creation, supply chain growth and new skills programmes, and reinvestment from BRR to help drive delivery. The proposals, if fully realised, overall would yield several billions £s of investment, significant business growth and the creation of thousands of jobs. The issue, or challenge, for WDC and WCC would be how to ensure that residents and businesses benefitted from that opportunity. Training and skills development would therefore be important. Access to those opportunities from a transport perspective would also be important, especially sustainable, and active travel opportunities, pointing to cycleways, bus rail and Very Light Rail (VLR) which then might also offer wider opportunities for the District.

From an environmental perspective, the proposed Giga Park would not involve any more land than has been allocated in the current Local Plan or that currently had planning permission. This was also true of the Coventry site. The focus of the Giga Park offers the significant opportunity to help decarbonise the economy locally regionally and nationally and to help the wider transition of the economy to a net zero carbon one. Nevertheless, it was important in the context of the Council's ambitions that the development that did comply with expectations around carbon emissions and bio-diversity net gain opportunities.

In terms of reinvestment of retained business rates, the following principles had been developed by the WMCA to help inform the work of the Investment Zone Joint Committee (IZ Board) and a more detailed programme for investment:

- It could be appropriate to use retained business rates from IZ sites for a tax increment finance model, but not all must or will be drawn down immediately in the IZ period.
- The first call on use of retained business rates must have been those interventions required to enable business rate uplift – where enabling works were needed to deliver business rate retention.
- The BRR sites had been selected based on their benefit to the regional advanced manufacturing sector, therefore enabling works on those sites would have region-wide benefit and impacts.
- The remainder of retained business rates would be pooled and used for regional investments in sector development, to be agreed by the IZ Joint Committee (IZ Board).

To the points above should be added the wording offered by the WMCA in paragraph 1.5.8 of the report to ensure no detriment to WDC and to ensure that was able to fund its own local growth programmes. This would help to overcome the initial fear that it was not possible for WMCA to provide WDC with any guarantees around levels of business rates generated or how these would compare to their existing arrangements. However, the without detriment position did require further definition.

WDC could benefit from wider regional sector support programmes funded through the initial IZ £80m fund from Government. Allocations to projects would need to pass through, and comply with, all the usual requirements for public funding. Important in this context was that to ensure the Council had the capacity to provide prompt and appropriate responses to new development, advance funding for its project management, development management, transport (via WCC), environmental and support teams could and should be funded from the £80m.

The formal arrangements were considered by WMCA Board at the Board meeting on 17 November, so it was important that the Council decides one way or another at its meeting on the 15th. The government required the WMCA to have made a proposal by the time of the Autumn Statement later in November 2023.

Underpinning all of these discussions and negotiations was a series of 'Gateways' that government had put in place to ensure consistency of programme development across the 8 English Investment Zone areas. Gateway 2 (identification of economic sector and broad geography) had largely concluded. Gateway 3 (governance) related to overall processes for the IZ development and was progressing well. Gateways 4 and 5 related to potential interventions and delivery mechanisms. These were being developed through close liaison between officers. It was anticipated that these would largely be completed by the end of December 2023 to enable final refinement with Government in the early part of 2024 leading to an announcement at the Spring Budget, and commencement in April 2024.

Any delays in progressing elements of the Investment Zone could lead to the commencement being deferred until April 2025, resulting in a loss of one-year BRR income.

There were several matters which were yet to be decided, but in principle there were compelling reasons to support the IZ proposition. However, until those unresolved issues were agreed, especially the issue of without detriment then the Council, there needed to be the option of walking away.

In terms of alternative options, the Cabinet and Council could have decided not to participate in the IZ proposal with all the implications for the Gigafactory element set out without within the report.

It could be that on the various issues raised there were variations to the recommendations that were be decided. This remained a possibility, but the report followed extensive discussions and so at this juncture no variations were proposed.

The Overview & Scrutiny Committee supported the recommendations in the report and thanked officers for their work on the report and also for ensuring that what was a complex matter was explained in understandable terms.

The Committee recognised the potential benefits to the District as a whole and its residents. The necessity of a no detriment provision on an ongoing basis throughout the lifetime of this arrangement was clearly understood and supported.

An addendum circulated prior to the meeting advised that following the publication of the report an incorrect version of the proposed Joint Committee terms of reference had been included, at Appendix 1 to the report. The correct terms of reference were appended to the addendum.

The Leader of the Council, Councillor Davison, recognised there was a weakness on the no detriment provision, so he suggested an additional condition that the no detriment clause needed to be as robust as possible and officers continue to negotiate on this basis. He proposed the report as laid out and subject to this additional recommendation.

Recommended to Council that an application for membership of the WMCA as a Non-Constituent member be made in the light of the recent enactment of the Levelling Up and Regeneration Act (LURA).

Resolved that

(1) the aspirations of, and supports the principle of participation in, the West Midlands Investment Zone (WMIZ) proposed to cover the WMCA area and Warwick District, conditional upon there being agreed without detriment position in respect of business rates income, be noted;

(2) a condition of agreeing to participate in the WMIZ there is a full commitment from partners to net zero carbon emissions from the proposed Gigafactory and related development, and to full commitment to bio-diversity net gain provisions, as set out in legislation as a minimum, within the WDC area;

(3) the governance arrangements for the WMIZ as set out in Appendix 1 to the report, being based on either a Joint Committee of the Cabinet or as part of an Investment Zone Board following attaining membership of the WMCA as a Non-Constituent member, using the principles set out in the report, be agreed in principle, but subject to:

(i) the Joint Committee/Investment Zone Board is based on one Council one vote;

(ii) decisions of the Joint Committee/Investment Zone Board are based on consensus only with any unresolved matters being referred for further discussion;

(iii) a further report being received on the full details of the constitutional arrangements before final commitment and agreement.

(4) the local delivery arrangements as set out at Appendix 2 to the report, be agreed;

(5) an agreement in principle to enter a Memorandum of Understanding (MoU) regarding business rates and their retention across the WMCA area and the Warwick District Council (WDC) area based on the principles in the report, subject to:

(i) confirmation from Department of Housing, Levelling Up and communities (DHLUC) providing legislative assurance (or amendments) that enables WDC to share its business rates outside of the District;

(ii) The Business Rates Retention (BRR) site is as shown on the map at Plan 1, excluding the UKBIC premises;

(iii) written assurance from the WMCA that the proposed Investment Plan for the Investment Zone will fully take account of WDC Strategy and requirements as a principle;

(iv) the other principles for determining the BRR spend, set out in the report are amended to reflect a fairness of distribution vis a vis the generation of business rates, after the contribution to initial infrastructure investment in the WMIZ, to deliver visible benefit for and within the District, and without detriment;

(v) the following paragraph is applied in practice, according to a more detailed definition of no detriment, to be agreed before final agreement and commitment:

'The allocation of retained business rates to be allocated by the WMCA through the established governance arrangements will be subject to a robust investment plan to be developed and approved by the IZ

governance body. There will be a requirement within the investment plan that, over an agreed accounting cycle (not greater than 5-years), sufficient investment will be in projects in those authorities who would otherwise be benefitting from alternative business rate regimes, to ensure that they are no worse off than if they had not agreed to participate in the WMIZ. This will also reflect agreement between WMCA and Government that up until the point of a reset of business rates baselines, Government will allow relaxation of spending requirements within the Investment Zone business rates retention site to allow those rates retained to be invested in local growth.'

(vi) written assurance is provided from the WMCA that the BRR funding will only be used for additional expenditure schemes and not be a replacement for any current plans or proposals of the WMCA or its constituent members;

(vii) a further report being received on the full details of the financial arrangements before final agreement and commitment;

(6) provision to be made within the budget for 2024/25 and up to a subsequent 4 years for project management, development management, highways and environmental team and support costs, as referred to in paragraph 1.7.7 of the report financed by up front provision from the Investment Zone government funding (£80m over 5 years) to deliver a prompt and responsive project management, development management, highways, environmental and related support services;

(7) the Overview and Scrutiny Committee and the Audit and Standards Committee undertake an annual review of the scheme to assess the costs and benefits to the WDC area and report to Cabinet;

(8) officers consider the financial impact of the amended BRR and of a no detriment position is considered when updating the MTFS; and

(9) authority be delegated to the Chief Executive in consultation with the Section 151 Officer,

Monitoring Officer, and the Leader of the Council to continue negotiations on all the matters above, to enable further reports to be brought forward where required; and

(10) all no detriment clauses need to be as robust as possible and officers continue to negotiate on this basis.

(The Portfolio Holder for this item was Councillor Davison)

This item was not included on the Forward Plan, so a Notice of Exemption to the Key Decisions Process was published on 8 November 2023.

59. **Future High Streets Fund Update**

The Cabinet considered a report from presented an update on the projects being funded by the Department for Levelling Up Housing and Communities (DLUHC) from the Future High Streets Fund (FHSF). It also sought consent to apply for an extension of time for the use of the allocated funds. There were also confidential elements in respect of two of those project sites and decisions in principle were sought with further reports to follow if agreed.

Warwick District Council (WDC) was successful in its bid to the FHSF in 2020. The total funding awarded amounted to £10.015million. The funding bid was awarded so that a few regeneration projects in the South of Leamington Spa could be delivered and, in doing so, realise a range of economic and social benefits to the town and to revitalise the High Street.

As required by the terms of the fund, for each project a degree of co-funding was required from the public and private sectors. As such, the Council's Creative Quarter Regeneration Development Partner, Complex Development Projects (CDP), had provided co-funding amounting to £7.8million (which included £4.1million future funding for regeneration beyond the life of the FHSF). WDC had co-funded the programme amounting to £1.9million. This represented a total investment of almost £20million across the FHSF programme.

One of the primary reasons why the FHSF bid was successful was because the Council could demonstrate that the projects in the original bid could deliver a range of economic benefits. As part of this was a requirement that these economic benefits deliver a Benefit Cost Ratio (BCR) of above 1.5-2. The WDC BCR derived an overall BCR in excess of the minimum and officers were required to report to DLHUC on a quarterly basis in respect of project progress and the BCR. There was a link to the most recent BCR calculation below under the Supporting Documents section.

The original Government deadline to utilise this funding was set at 31 March 2024. However, DLHUC had recently recognised that several local authorities with FHSF funding might not be able to meet the current deadline. As a result, all local authorities with FHSF funding were now formally permitted to apply for an extension up to the 30 September 2024. It was proposed that officers request the extension which would allow more time to deliver the projects and avoid any risk of returning funding to Government. The request had to be made by 17 November 2023. The process to request the extension would take place later in November as part of the quarterly Monitoring and Evaluation process. If projects were still being implemented beyond that 30 September 2024 deadline, the co-funding could still be utilised as it was only the FHSF that needed to be spent by that date.

The report updated Members on further progress on all the FHSF projects since the last report to Cabinet in February 2023 and to the Overview and Scrutiny Committee in July 2023.

Sustainable Movement – this project was designed to deliver a new East/West cycle route through Leamington Spa town centre, but this had not been able to progress within the FHSF timescales. A Project Adjustment Request (PAR) was therefore prepared and submitted to DLUHC asking for approval to reallocate the £506,000 FHSF to be split between two other FHSF projects at the Town Hall Creative Hub (£256K) and the former Stoneleigh Arms/Old School (£250K). Both projects were progressing well and had undergone extensive Value Engineering exercises to ensure the costs of the projects were kept within the available budgets. The availability of reallocated funds would allow some of those items that were subject to Value Engineering to be brought back into the projects and delivered. This business case, including a recalculation of the required BCR as part of the original award of the funding, was presented to DLUHC to consider the PAR. Officers were pleased to report that this was approved by DLUHC on the 5 September 2023, enabling this money to be reallocated.

However, Warwickshire County Council (WCC) and WDC officers would be working to achieve the original cycle scheme via other means including seeking Section 106 contributions from development schemes in the broad corridor of the proposed east/west cycle route. This would then be unconstrained by Government timeline restrictions.

Spencer Yard – works had now completed on this site with the launch of The Fold (former URC building) which took place on 12 October 2023. Tenants were also in place at The Fold (Cogent) and the former Nursery (SAE). The Old Dole Office was being marketed with strong interest being shown. The vibrancy of Spencer Yard, and this part of the Old Town should now increase, and a range of events were being arranged to be held in the public space in due course.

Town Hall Creative Hub – The Invitation to Tender (ITT) for the Main Contractor procurement was published on 22 September 2023. This was a two-stage tender through a Framework which was selected by the WDC Procurement team to yield the best possible chances of a successful response from the market. The Stage 1 returns were due six weeks after publishing, i.e., 3 November 2023. A further three weeks was then allocated for the evaluation process which was expected to be finalised by 24 November 2023. At this point, the contract would be awarded to a contractor. The Stage 2 process was a negotiation period with the contractor on the detailed financials. This was anticipated to last for three-six weeks but could be flexed as needed. Completion of Stage 2 was anticipated by mid-January 2024. Mobilisation then could start to take place by the end of January with the objective of starting on-site by

February 2024.

Stoneleigh Arms – A planning application was submitted in July 2023 for the redevelopment of the former Stoneleigh Arms and the Old School buildings. It was anticipated that the application would go before the December Planning Committee for determination. Discussions had been held with Planning and Conservation Officers to work through any outstanding planning and conservation issues prior to consideration by the Planning Committee. In the meantime, CDP had procured at risk a main contractor to be ready to start on-site as soon as the planning process was concluded. Discussions were also underway with local artist organisations as potential occupiers of the completed Stoneleigh Arms building. An outline of the current proposals being considered was included in confidential Appendix 1 to the report.

Subject to planning permission being granted, a start on site could be in January. The development works were expected to take around 12 months with an anticipated completion towards the end of 2024/early 2025. FHSF money would be utilised first so that this was spent by the revised deadline of 30 September 2024.

An update on progress was contained in confidential Appendix 2 to the report.

In terms of alternative options, Members could choose not to seek an extension of time to spend the FHSF funds, but this would be a decision to hand a very significant sum of money back to the Government and to abandon a few of the projects currently in train. This alternative is not recommended.

Members could choose not to approve the proposal being explored for the Stoneleigh Arms as set out in confidential appendix 1. This alternative option was not recommended as the proposal presented a significant opportunity to contribute to the vibrancy of the South of the town centre with creative spaces being provided for the use of the creative sector and would be a true reflection of the aspirations of the Creative Quarter.

Members might choose not to support the proposed approach outlined in confidential Appendix 2 to the report. This alternative option was not recommended as this approach was only realistic option available to deliver this element of the FHSF programme.

The Overview & Scrutiny Committee supported the recommendations in the report.

The Committee stressed the importance of pursuing a balanced eco system and offers that complimented each other through the Future High Streets Fund.

Councillor Billiald proposed the report as laid out.

Resolved that

(1) a request be made to DLUHC for the extension of time to spend the FHSF funds to September

2024, be agreed;

(2) the progress being made in respect of the projects being funded through the FHSF, be noted;

(3) the principal of the proposed approach being progressed in respect of the Stoneleigh Arms project outlined in confidential Appendix 1 to the report, be agreed;

(4) officers be supported to continue discussions and bring back a final proposal for Cabinet consideration in relation to the information set out in confidential Appendix 1 to the report;

(5) the approach in respect of the confidential site outlined in confidential Appendix 2 to the report, be supported;

(6) authority be delegated to the Chief Executive, in consultation with Section 151 Officer, Group Leaders, the Arts and Economy Portfolio Holder to progress the proposals as set out in confidential Appendix 2 and to then provide a further report to approve the final details of the proposal; and

(7) £287,000 is provided as a contribution to the scheme outlined in confidential Appendix 2 to the report, to be funded from WDC reserves, be agreed.

(The Portfolio Holder for this item was Councillor Billiald)

This item was not included on the Forward Plan, so a Notice of Exemption to the Key Decisions Process was published on 8 November 2023.

60. **Public and Press**

Resolved that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraph of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Minutes Numbers	Paragraph Numbers	Reason
61	3	Information relating to the financial or business affairs of any particular person (including the authority

Minutes Numbers	Paragraph Numbers	Reason
		holding that information)

61. **Confidential Appendices to Item 4 – Future High Streets Fund Update**

The confidential appendices were noted.

(The meeting ended at 7:20pm)

CHAIRMAN
6 December 2023